

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Dickinson County	County Dickinson
Fiscal Year End 12-31-06	Opinion Date 07-09-07	Date Audit Report Submitted to State 07-30-07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-786-3111	
Street Address 901 Ludington Street		City Escanaba	State Mi
		Zip 49829	
Authorizing CPA Signature 		Printed Name Raymond B. LaMarche, CPA	License Number 1101025531

COUNTY OF DICKINSON, MICHIGAN
BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006

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ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners
County of Dickinson
Iron Mountain, Michigan 49801

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Dickinson, Michigan as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Dickinson's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Dickinson County Library (major fund), Library Trust, Dickinson County Road Commission and the Dickinson County Healthcare System. The Library Trust is blended in with the County of Dickinson's basic financial statements and represent 4.2%, 6.5%, .72%, respectively, of the assets, fund balance and revenues of the aggregate remaining fund information. The Dickinson County Road Commission and the Dickinson County Healthcare System represent 100 percent of the assets, net assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been provided to us, and our opinion, insofar as it relates to the amounts included for the Dickinson County Library, Library Trust, Dickinson County Road Commission and the Dickinson County Healthcare System, is based on the reports of the other auditors.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Dickinson, Michigan as of December 31, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2007, on our consideration of the County of Dickinson, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information on pages 3 through 13 and 72 through 77 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Dickinson's basic financial statements. The combining nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company P.C.

Anderson, Tackman & Company, PLC
Certified Public Accountants

July 9, 2007

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Dickinson County's financial performance provides an overview of the County's financial activities for the fiscal year ending December 31, 2006. Please read it in conjunction with the County's financial statements, which begin on page 14.

FINANCIAL HIGHLIGHTS

- Net assets for the County were reported at \$22,581,306 for 2006, compared to \$20,252,472 for 2005, an increase of 11.5%. For 2006, net assets for our business-type activities were \$1,073,611, approximately 4.8% of total net assets, while net assets in our governmental activities were \$21,507,695 or 95.2% of total net assets.
- The County's expenses for 2006 totaled \$11,558,551 and in 2005 totaled \$11,369,677, representing an increase of \$188,874. Revenues from all sources totaled \$13,887,385 in 2006 and \$12,483,174 in 2005, representing an increase of \$1,404,211.
- The General Fund reported a decrease in fund balance of \$474,128 in 2006 and an increase in fund balance of \$207,947 in 2005. This was after revenues of \$7,692,551 in 2006 compared to \$7,243,465 in 2005, and expenditures of \$6,605,002 in 2006 compared to expenditures of \$6,414,163 in 2005.
- A one-time transfer of \$950,000 was made from the General Fund to the Delinquent Tax Revolving Fund to eliminate the long-term advance between those two funds.

USING THIS REPORT

This annual report consist of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 14, 15 and 16) provide information about the activities of the County as a whole and present a longer term view of the County's finances. Fund financial statements start on page 17. For governmental funds, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements by providing information about the County's most significant funds. The remaining statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of government.

Reporting the County as a whole

Statement of Net Assets and the Statement of Activities

Our analysis of the County as a whole begins on page 6. One of the most important questions asked about the county's finances; "Is the County as a whole better off or in worse condition as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current years revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the County's *net assets* and changes in them. You can think of the County's net assets as the difference between assets and liabilities as one way to measure the County's financial health, or *financial position*. Over time, *increases or decreases* in the County's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base to assess the *overall financial health* of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into two categories of activities:

- Governmental activities – Most of the County's basic services are reported here including public safety, judicial system, parks and recreation and general administration. Property taxes, fees/charges for services and state and federal grant funds make up the majority of revenue for these activities.
- Business-type activities – The County charges a fee to customers to help cover all or most of the costs of certain services it provides. The collection of delinquent property taxes make up these activities.

The County also presents two legally separate component units; County Road Commission and the Dickinson County Healthcare System which are reported separately from the financial information of the County. Separately audited financial statements are available for the County Road Commission and the Dickinson County Healthcare System at their administrative offices.

Reporting the County's Most Significant Funds

Fund Financial Statements

Our analysis of the County's Major Funds begins on page 9. The fund financial statements begin on page 17 and provide detailed information on the most significant funds – not the County as a whole. Some funds are required to be established by State law, and by bond covenants. However, the County Board of Commissioners establishes many other funds to help it control and manage money for particular purposes or to show that the Board is meeting legal requirements for certain taxes, grants and other money. The County's two kinds of funds *governmental* and *proprietary* – use different accounting methods.

- *Governmental funds* – Most of the County’s services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term* view of the County’s general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance County programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* - When the County charges customers for the services it provides – whether to outside customers or to other units of the County – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County’s enterprise funds (a component of proprietary funds) are the same as the business-type activities that we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

The County as a Trustee

The County is the trustee, *or fiduciary*, of tax receipts and other collections, that are collected for other agencies and held for periodic payment to those agencies. The County’s fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 26. We exclude these funds from the County’s other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The County as a Whole

The County's net combined assets grew by \$2,328,834 in 2006.

Table 1
Net Assets

	Governmental Activities 2005	Governmental Activities 2006	Business-Type Activities 2005	Business-Type Activities 2006
Current and other assets	\$ 10,531,482	\$ 10,160,852	\$ 1,260,839	\$ 1,254,295
Capital assets (net)	13,639,511	14,006,271	-	-
Total Assets	<u>24,170,993</u>	<u>24,167,123</u>	<u>1,260,839</u>	<u>1,254,295</u>
Long-term debt outstanding	1,363,047	1,243,002	-	-
Other liabilities	2,674,408	1,416,426	1,141,905	180,684
Total Liabilities	<u>4,037,455</u>	<u>2,659,428</u>	<u>1,141,905</u>	<u>180,684</u>
Net Assets:				
Invested in capital assets, net of related debt	13,188,511	13,169,196	-	-
Restricted assets:				
Unexpendable	-	1,014,535		
Expendable	3,369,856	3,506,708	-	-
Unrestricted	3,575,171	3,817,256	118,934	1,073,611
Total net assets	<u>\$ 20,133,538</u>	<u>\$ 21,507,695</u>	<u>\$ 118,934</u>	<u>\$ 1,073,611</u>

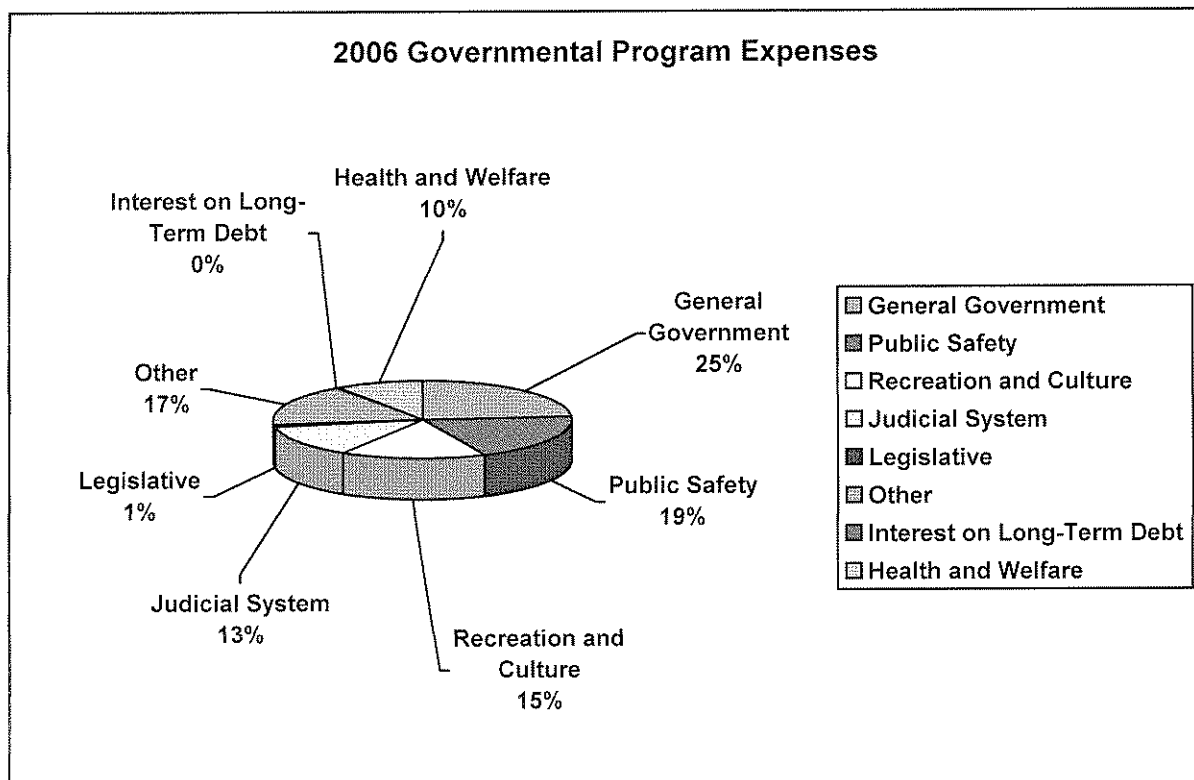
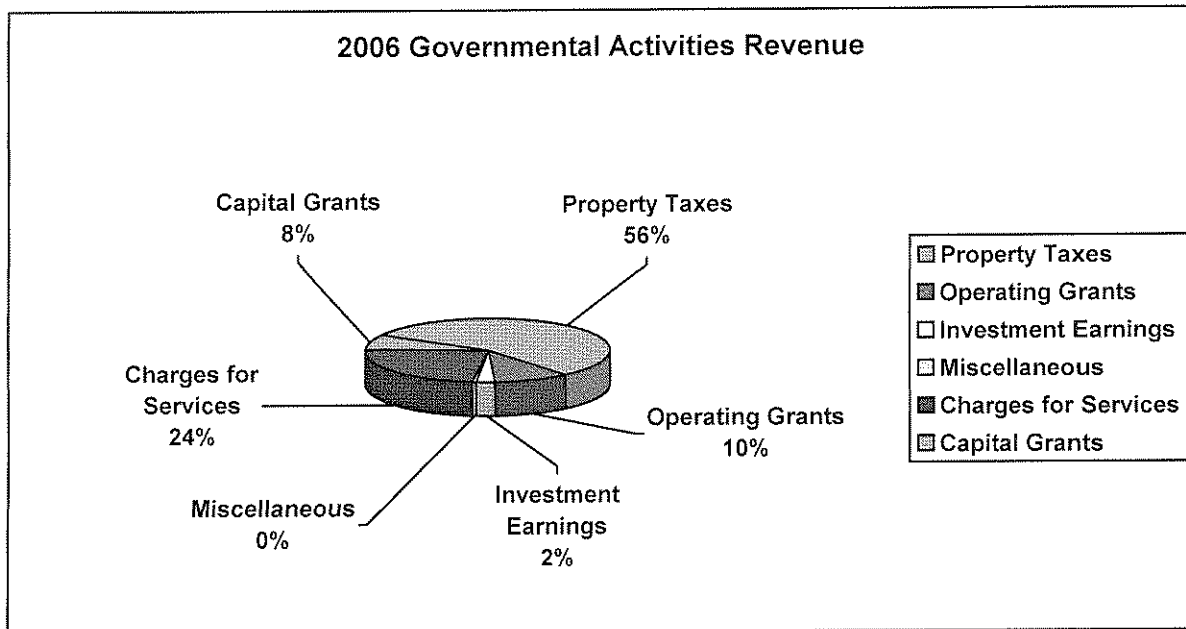
Net assets of the County's governmental activities stood at \$21,507,695, an increase of \$1,374,157 (6.8%). Unrestricted net assets, the part of net assets that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$3,817,256 for 2006.

Net assets in our business-type activities stood at \$1,073,611, up from \$118,934 in 2005. Unrestricted net assets for our business-type activities were \$1,073,611 and \$118,934 for 2006 and 2005 respectively. The large increase from 2005 to 2006 was due to a one-time transfer from the General Fund of \$950,000 which represented a long-term advance in prior years and was transferred to the Delinquent Tax Revolving Fund in 2006 to more accurately reflect the equity position of each fund.

Table 2
Changes in Net Assets

	Governmental Activities 2005	Governmental Activities 2006	Business-Type Activities 2005	Business-Type Activities 2006
Revenues:				
Program Revenues:				
Charges for services	\$ 2,887,330	\$ 3,246,938	\$ 127,436	\$ 130,719
Operating grants	1,504,101	1,385,965	-	-
Capital grants	414,551	1,046,642	-	-
General Revenues:				
Property taxes	7,262,409	7,676,511	-	-
Grants and contributions not restricted to specific programs	6,140	7,143	-	-
Contribution to permanent fund	873	308	-	-
Unrestricted investment earnings	234,063	337,466	-	-
Miscellaneous	46,270	55,693	-	-
Total Revenues	<u>12,355,737</u>	<u>13,756,666</u>	<u>127,436</u>	<u>130,719</u>
Program Expenses:				
Legislative	87,248	84,800	-	-
Judicial system	1,627,910	1,556,517	-	-
General government	2,673,145	2,769,457	-	-
Public safety	2,134,472	2,236,012	-	-
Health and welfare	1,132,986	1,099,324	-	-
Recreation and culture	1,789,618	1,787,428	-	-
Other	1,906,989	2,009,838	-	-
Interest on long-term debt	14,309	11,829	-	-
Delinquent tax revolving	-	-	3,000	3,346
Total Expenses	<u>11,366,677</u>	<u>11,555,205</u>	<u>3,000</u>	<u>3,346</u>
Excess (deficiency) before transfers and contributions	989,060	2,201,461	124,436	127,373
Transfers	<u>114,451</u>	<u>(827,304)</u>	<u>(114,451)</u>	<u>827,304</u>
Increase (decrease) in net assets	1,103,511	1,374,157	9,985	954,677
Net assets - beginning	<u>19,030,027</u>	<u>20,133,538</u>	<u>108,949</u>	<u>118,934</u>
Net assets - ending	<u>\$ 20,133,538</u>	<u>\$ 21,507,695</u>	<u>\$ 118,934</u>	<u>\$ 1,073,611</u>

Governmental Activities



Governmental Activities

Revenues for the County's governmental activities totaled \$12,929,362 in 2006, compared to \$12,470,188 in 2005, while expenses were \$11,555,205 and \$11,366,677, respectively. The excess of revenue over expense was \$1,374,157 in 2006 and \$1,103,511 for 2005. The increase in net assets can be attributed to the advanced collection of County property taxes, which was established to replace State revenue sharing payments for the next several years. Also attributing to the increase was contributions from the state and federal government for capital improvement projects at the airport.

Table three below reflects the cost of each of the County's five largest activities; Public Safety, Judicial System, General Government, Recreation and Culture, and Other, - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

Table 3
Government Activities

	Total Cost of Services 2005	Total Cost of Services 2006	Net Cost of Services 2005	Net Cost of Services 2006
Public safety	\$ 2,134,472	\$ 2,236,012	\$ 1,193,768	\$ 1,348,080
Judicial system	1,627,910	1,556,517	68,813	17,422
General government	2,673,145	2,769,457	1,481,630	833,877
Recreation and culture	1,789,618	1,787,428	947,660	800,843
Other	1,906,989	2,009,838	1,906,989	2,009,838
Totals	<u>\$ 10,132,134</u>	<u>\$ 10,359,252</u>	<u>\$ 5,598,860</u>	<u>\$ 5,010,060</u>

Business-Type Activities

The County's business-type activities net assets totaled \$1,073,611 in 2006, compared to \$118,934 in 2005, representing an increase of \$954,677. This increase was due to a one-time transfer from the General Fund in the amount of \$950,000.

THE COUNTY'S FUNDS

The focus of the governmental funds of the County is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the County's net resources available for spending at the end of the fiscal year.

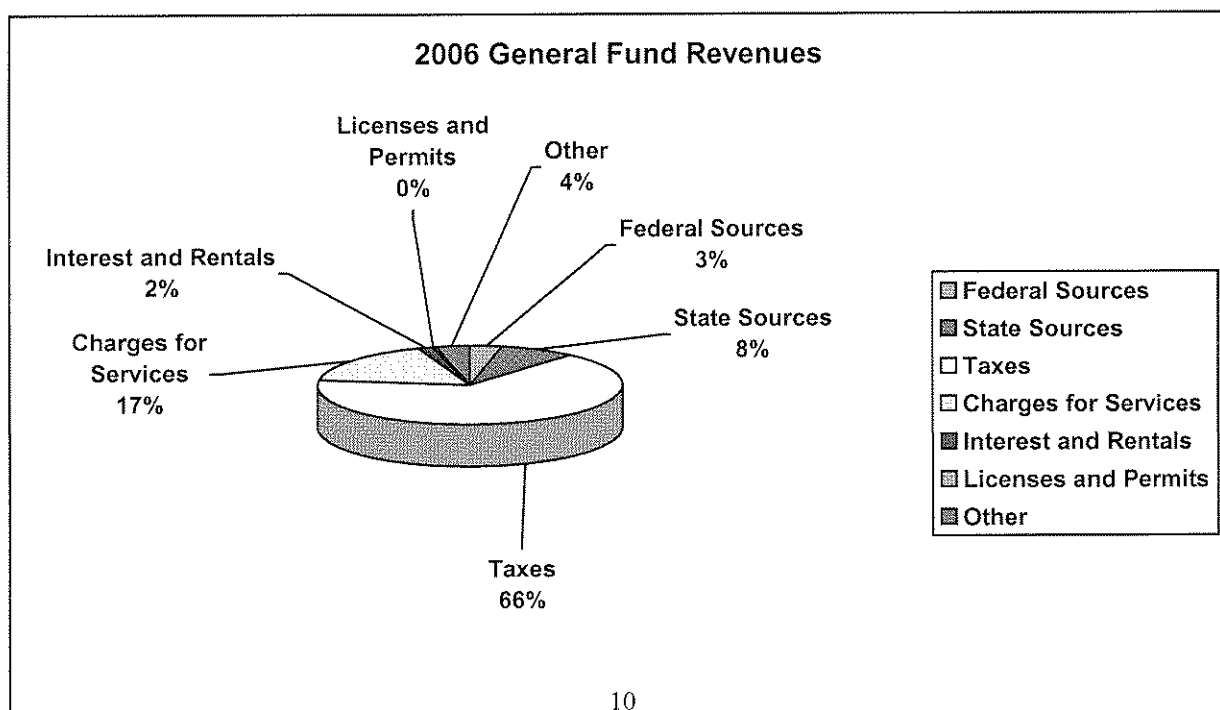
For the current fiscal year the County's governmental funds reported total fund balance of \$8,744,426 for 2006, compared to \$7,857,074 in 2005, representing an increase of \$887,352. For 2006, \$1,014,535 was reserved for permanent funds and \$14,890 was reserved for computer purchases and the remaining \$7,715,001 was unreserved. The General Fund unreserved fund

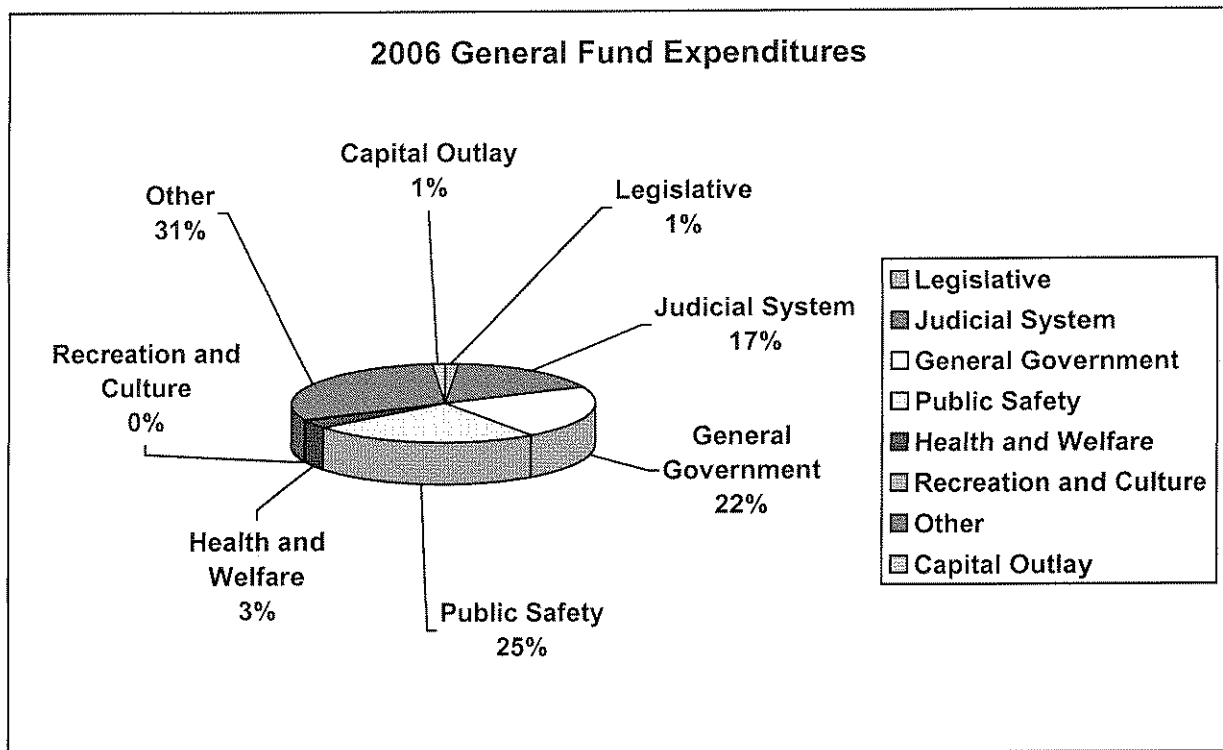
balance amounted to \$1,013,030. The General Fund had a decrease in fund balance of \$474,128, representing a decrease of 32% over the prior year fund balance. This decrease is attributable to the one-time transfer of \$950,000 to the Delinquent Tax Revolving Fund. The County established the Revenue Sharing Reserve fund in 2004 to account for the activity relating to the collection of one-third of the County's December 2004 tax levy (\$1,490,831) which is required to be placed in this fund for 2004, 2005 and 2006. The purpose of this fund as outline in Public Act 357 of 2004 is to establish a reserve for county governments to replace the former state revenue sharing payments. The Retiree's Medical Care Reserve fund was established for the purpose of accumulating resources to pay future post-employment health insurance costs. Fund balance in the Retiree's Medical Care Reserve fund increased in the current year by \$77,166 which relates to investment earnings on the cash balance in the fund of \$1,717,212 as of December 31, 2006. The Senior Citizens Tax fund accounts for the activity relating to the collection of the senior citizens tax levy and the distribution of those funds. The County Library accounts for the activity relating to the county library operations, which includes the collection of a tax levy for operations as well as other revenue sources. In 2006, fund balance for the Library increased by \$173,134, representing an increase of 27%.

General Fund Budgetary Highlights

Over the course of the year, the budget was amended twice. These amendments were made to recognize changes to revenue or expenditures. The budgeted revenues and transfers in net change from the original budget to the final amended budget were unchanged in 2006. The budgeted expenditures and transfers out of the final amended budget increased in total over the original budget by \$985,947. This increase in budgeted expenditures from the original budget to the final amended budget was due in large part to budget for the \$950,000 transfer to the Delinquent Tax Revolving Fund. The original budget projected a balanced budget, while the actual results showed a decrease in fund balance of \$474,128. There were no significant changes between the final amended budget and the actual results as reported.

General Fund





CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2006, the County had \$14,006,271, net of accumulated depreciation, invested in a variety of capital assets including machinery and equipment, buildings and improvements, parks, airport infrastructure and land. (See table 4 below)

Table 4
Capital Assets at Year-End
(net of accumulated depreciation)

	Governmental Activities 2005	Governmental Activities 2006
Land	\$ 1,591,783	\$ 1,640,279
Buildings & improvements	5,994,054	5,800,030
Machinery & equipment	849,708	830,256
County Library	728,764	660,953
Infrastructure	4,475,202	5,074,753
Total	<u>\$ 13,639,511</u>	<u>\$ 14,006,271</u>

The most significant increase in additions to capital assets were improvements at the County Airport to improve infrastructure, which was financed in large part by the state and federal government.

DEBT

At year-end the County had \$1,243,002 in long-term debt.

Table 5
Outstanding Debt at Year-End

	Governmental Activities 2005	Governmental Activities 2006
Correction Center Bonds	\$ 310,000	\$ 210,000
Fair Bonds	141,000	125,000
Compensated absences:		
General County	313,176	335,024
County Library	15,093	16,592
Post-retirement benefits - County Library	583,778	556,386
Totals	<u>\$ 1,363,047</u>	<u>\$ 1,243,002</u>

The State of Michigan limits the amount of general obligation debt that local units of government can issue to 10% of the current equalized valuation, including TIF valuations. The County's outstanding general obligation debt of \$335,000 is well below statutory limits.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County Board of Commissioners and county management will consider many factors when setting the fiscal year budget, tax rates and fees that will be charged for services. One of those factors is the uncertainty of State revenue sharing, the shift in County tax collections to the summer and the establishment of a Revenue Sharing Reserve Fund will impact future cash flows. Other changes in State government financing will affect the way programs and services are provided. The continuing issues with funding on both the State and Federal level present financial challenges outside of the County's control that effect the level of services provided. The economy in the Dickinson County area appears to be flat in relation to job growth or job loss. The cost of living in the Dickinson County area is below the national and State average, but real estate values continue to climb. The growth of other costs continue to rise at the national inflation rate or lower, with the exception of health care costs which continue to be a concern for the County and local employers. These factors were taken into account when adopting the 2006 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and customers, as well as investors and creditors with a general overview of the County's finances and to show the County's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the County Administrator at the Dickinson County Courthouse, P.O. Box 609, Iron Mountain, Michigan, 49801.

COUNTY OF DICKINSON, MICHIGAN
STATEMENT OF NET ASSETS
December 31, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,980,604	\$ 795,465	\$ 6,776,069
Investments	564,739	-	564,739
Current portion of restricted cash	-	-	-
Receivables	3,345,175	434,106	3,779,281
Internal balances	255,957	-	255,957
Prepays	14,377	-	14,377
Inventory	-	-	-
Total current assets	<u>10,160,852</u>	<u>1,229,571</u>	<u>11,390,423</u>
Noncurrent assets:			
Cash and investments	-	-	-
Delinquent taxes receivable	-	24,724	24,724
Deferred financing costs	-	-	-
Capital assets, net of accumulated depreciation	14,006,271	-	14,006,271
Total noncurrent assets	<u>14,006,271</u>	<u>24,724</u>	<u>14,030,995</u>
Total assets	<u>\$ 24,167,123</u>	<u>\$ 1,254,295</u>	<u>\$ 25,421,418</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 83,947	\$ -	\$ 83,947
Accrued payroll	86,311	-	86,311
Internal balances	-	180,684	180,684
Accrued interest	-	-	-
Estimated third-party payor settlements	-	-	-
Due to other governmental units	-	-	-
Deferred revenue	1,246,168	-	1,246,168
Other	-	-	-
Long-term liabilities due within one year:			
Compensated absences	83,756	-	83,756
Post-retirement benefits	28,818	-	28,818
Current maturities of long-term debt	121,000	-	121,000
Total current liabilities	<u>1,650,000</u>	<u>180,684</u>	<u>1,830,684</u>
Long-term liabilities:			
Compensated absences	267,860	-	267,860
Post-retirement benefits	527,568	-	527,568
Long-term debt, less current maturities	214,000	-	214,000
Reserve for loss on liability claims	-	-	-
Other	-	-	-
Total long-term liabilities	<u>1,009,428</u>	<u>-</u>	<u>1,009,428</u>
Total liabilities	<u>2,659,428</u>	<u>180,684</u>	<u>2,840,112</u>
NET ASSETS			
Invested in capital assets, net of related debts	13,169,196	-	13,169,196
Restricted for:			
Unexpendable:			
Permanent funds	1,014,535	-	1,014,535
Expendable:			
Special revenue	3,436,736	-	3,436,736
Debt service	-	-	-
Permanent funds	69,972	-	69,972
Unrestricted	3,817,256	1,073,611	4,890,867
Total net assets	<u>21,507,695</u>	<u>1,073,611</u>	<u>22,581,306</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 24,167,123</u>	<u>\$ 1,254,295</u>	<u>\$ 25,421,418</u>

See accompanying notes to financial statements.

Component Units	
Road Commission	Dickinson County Healthcare System
\$ 5,984	\$ 6,383,477
-	258,199
-	1,256,346
587,342	8,490,753
-	-
-	-
266,929	2,166,481
<u>860,255</u>	<u>18,555,256</u>
-	13,278,575
-	-
-	275,403
29,996,746	45,727,782
<u>29,996,746</u>	<u>59,281,760</u>
<u>\$ 30,857,001</u>	<u>\$ 77,837,016</u>
\$ 323,004	\$ 1,902,528
-	1,631,236
-	-
-	281,346
-	1,428,105
1,760	-
-	-
31,293	265,059
-	2,729,550
-	-
<u>200,543</u>	<u>1,281,924</u>
<u>556,600</u>	<u>9,519,748</u>
337,001	-
-	-
87,631	31,358,773
-	795,000
<u>130,445</u>	<u>156,070</u>
<u>555,077</u>	<u>32,309,843</u>
<u>1,111,677</u>	<u>41,829,591</u>
29,708,572	13,362,488
36,752	-
-	3,186,173
-	-
-	19,458,764
<u>29,745,324</u>	<u>36,007,425</u>
<u>\$ 30,857,001</u>	<u>\$ 77,837,016</u>

COUNTY OF DICKINSON, MICHIGAN
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2006

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Legislative	\$ 84,800	\$ -	\$ -	\$ -	\$ (84,800)	\$ -	\$ (84,800)
Judicial system	1,556,517	849,670	689,425	-	(17,422)	-	(17,422)
General government	2,769,457	714,630	174,308	1,046,642	(833,877)	-	(833,877)
Public safety	2,236,012	597,318	290,614	-	(1,348,080)	-	(1,348,080)
Health and welfare	1,099,324	215,394	114,959	-	(768,971)	-	(768,971)
Recreation and culture	1,787,428	869,926	116,659	-	(800,843)	-	(800,843)
Other	2,009,838	-	-	-	(2,009,838)	-	(2,009,838)
Interest on long-term debt	11,829	-	-	-	(11,829)	-	(11,829)
Total governmental activities	11,555,205	3,246,938	1,385,965	1,046,642	(5,875,660)	-	(5,875,660)
Business-type activities:							
Delinquent tax revolving	3,346	130,719	-	-	-	127,373	127,373
Total primary government	11,558,551	3,377,657	1,385,965	1,046,642	(5,875,660)	127,373	(5,748,287)
Component units:							
Road Commission	\$ 3,784,286	\$ 614,390	\$ 2,831,432	\$ 968,725	-	-	-
Dickinson County Healthcare System	65,708,393	66,676,721	76,205	8,279	-	-	-
Total component units	69,492,679	67,291,111	2,907,637	977,004	-	-	-
General revenues:							
Property taxes					7,676,511	-	7,676,511
Grants and contributions not restricted to specific programs					7,143	-	7,143
Contributions to permanent fund					308	-	308
Unrestricted investment earnings					337,466	-	337,466
Miscellaneous					55,693	-	55,693
Transfers					(827,304)	827,304	-
Total general revenues and transfers					7,249,817	827,304	8,077,121
Change in net assets					1,374,157	954,677	2,328,834
Net assets, beginning					20,133,538	118,934	20,252,472
Net assets, ending					\$ 21,507,695	\$ 1,073,611	\$ 22,581,306
							\$ 65,752,749

See accompanying notes to financial statements

COUNTY OF DICKINSON, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2006

	<u>General Fund</u>	<u>Revenue Sharing Reserve</u>	<u>Retiree's Medical Care</u>
ASSETS			
Cash and equivalents:			
Unrestricted	\$ 382,277	\$ 1,798,224	\$ 1,717,212
Investments	-	-	-
Receivables:			
Accounts	4,264	-	-
Taxes	239,670	1,490,831	-
Due from other funds	255,957	-	-
Due from other local units	151,553	-	-
Due from State of Michigan	115,251	-	-
Prepaid expense	6,415	-	-
	<u>\$ 1,155,387</u>	<u>\$ 3,289,055</u>	<u>\$ 1,717,212</u>
LIABILITIES			
Accounts payable	\$ 6,867	\$ -	\$ -
Due to other funds	-	-	-
Accrued payroll	63,149	-	-
Deferred revenue	72,341	-	-
	<u>142,357</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Reserved:			
Permanent funds	-	-	-
Computer purchases	-	-	-
Unreserved:			
Designated	-	-	-
Undesignated	1,013,030	3,289,055	1,717,212
Unreserved, reported as non-major:			
Special revenue funds	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Permanent funds	-	-	-
	<u>1,013,030</u>	<u>3,289,055</u>	<u>1,717,212</u>
Total fund balances	<u>\$ 1,155,387</u>	<u>\$ 3,289,055</u>	<u>\$ 1,717,212</u>
Total liabilities and fund balances	<u>\$ 1,155,387</u>	<u>\$ 3,289,055</u>	<u>\$ 1,717,212</u>

See accompanying notes to financial statements.

Senior Citizens Tax	County Library	Nonmajor Governmental Funds	Total Governmental Funds
\$ 8,787	\$ 836,262	\$ 1,237,842	\$ 5,980,604
-	-	564,739	564,739
-	-	94,293	98,557
306,489	700,000	153,245	2,890,235
-	-	90,000	345,957
-	-	-	151,553
-	-	89,579	204,830
-	7,962	-	14,377
<u>\$ 315,276</u>	<u>\$ 1,544,224</u>	<u>\$ 2,229,698</u>	<u>\$ 10,250,852</u>
\$ -	\$ 34,983	\$ 42,097	\$ 83,947
-	-	90,000	90,000
-	-	23,162	86,311
306,489	700,000	167,338	1,246,168
<u>306,489</u>	<u>734,983</u>	<u>322,597</u>	<u>1,506,426</u>
-	-	1,014,535	1,014,535
-	14,890	-	14,890
-	636,849	(22,621)	614,228
8,787	157,502	-	6,185,586
-	-	727,961	727,961
-	-	111,503	111,503
-	-	5,751	5,751
-	-	69,972	69,972
<u>8,787</u>	<u>809,241</u>	<u>1,907,101</u>	<u>8,744,426</u>
<u>\$ 315,276</u>	<u>\$ 1,544,224</u>	<u>\$ 2,229,698</u>	<u>\$ 10,250,852</u>

COUNTY OF DICKINSON, MICHIGAN
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
December 31, 2006

Total fund balances for governmental funds	\$	8,744,426
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Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	1,640,279	
Buildings and improvements	9,085,086	
Machinery and equipment	2,222,332	
County Library	669,874	
Infrastructure	7,995,408	
Accumulated depreciation	<u>(7,606,708)</u>	
Total capital assets		14,006,271

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.

Bonds payable	(335,000)	
Post-employment benefits	(556,386)	
Compensated absences	<u>(351,616)</u>	<u>(1,243,002)</u>

Total net assets of governmental activities	\$	<u><u>21,507,695</u></u>
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See accompanying notes to financial statements.

COUNTY OF DICKINSON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2006

	General Fund	Revenue Sharing Reserve	Retiree's Medical Reserve
REVENUES:			
Taxes	\$ 5,059,334	\$ 1,490,831	\$ -
Licenses and permits	17,516	-	-
Federal sources	255,363	-	-
State sources	626,732	-	-
Local sources	-	-	-
Charges for services	1,328,742	-	-
Interest and rentals	121,871	68,307	77,166
Other	282,993	-	-
	<u>7,692,551</u>	<u>1,559,138</u>	<u>77,166</u>
Total revenues			
	<u>7,692,551</u>	<u>1,559,138</u>	<u>77,166</u>
EXPENDITURES:			
Legislative	84,800	-	-
Judicial system	1,120,529	-	-
General government	1,462,759	-	-
Public safety	1,613,316	-	-
Health and welfare	221,648	-	-
Recreation and cultural	8,000	-	-
Capital outlay	84,112	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Other	2,009,838	-	-
	<u>6,605,002</u>	<u>-</u>	<u>-</u>
Total expenditures			
	<u>6,605,002</u>	<u>-</u>	<u>-</u>
Excess revenues (expenditures)	<u>1,087,549</u>	<u>1,559,138</u>	<u>77,166</u>
OTHER FINANCING SOURCES (USES):			
Transfer in	616,476	-	-
Transfer out	(2,178,153)	(492,180)	-
	<u>(1,561,677)</u>	<u>(492,180)</u>	<u>-</u>
Total other financing sources (uses)			
	<u>(1,561,677)</u>	<u>(492,180)</u>	<u>-</u>
Net change in fund balance	(474,128)	1,066,958	77,166
Fund balances - beginning of year	<u>1,487,158</u>	<u>2,222,097</u>	<u>1,640,046</u>
Fund balances - end of year	<u>\$ 1,013,030</u>	<u>\$ 3,289,055</u>	<u>\$ 1,717,212</u>

See accompanying notes to financial statements.

Senior Citizens Tax	County Library	Nonmajor Governmental Funds	Total Governmental Funds
\$ 300,506	\$ 676,487	\$ 149,354	\$ 7,676,512
-	-	198,607	216,123
-	-	146,091	401,454
-	23,338	283,116	933,186
-	290,572	56,339	346,911
-	12,646	756,094	2,097,482
-	38,764	342,819	648,927
-	10,423	114,194	407,610
<u>300,506</u>	<u>1,052,230</u>	<u>2,046,614</u>	<u>12,728,205</u>
-	-	-	84,800
-	-	393,054	1,513,583
-	-	523,031	1,985,790
-	-	526,181	2,139,497
292,735	-	577,189	1,091,572
-	879,483	825,920	1,713,403
-	-	263,125	347,237
-	-	116,000	116,000
-	-	11,829	11,829
-	-	-	2,009,838
<u>292,735</u>	<u>879,483</u>	<u>3,236,329</u>	<u>11,013,549</u>
<u>7,771</u>	<u>172,747</u>	<u>(1,189,715)</u>	<u>1,714,656</u>
-	387	1,283,789	1,900,652
-	-	(57,623)	(2,727,956)
<u>-</u>	<u>387</u>	<u>1,226,166</u>	<u>(827,304)</u>
7,771	173,134	36,451	887,352
<u>1,016</u>	<u>636,107</u>	<u>1,870,650</u>	<u>7,857,074</u>
<u>\$ 8,787</u>	<u>\$ 809,241</u>	<u>\$ 1,907,101</u>	<u>\$ 8,744,426</u>

DICKINSON COUNTY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2006

Net changes in fund balances - total governmental funds	\$ 887,352
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$917,802) exceeded capital outlays (\$256,101).	(661,701)
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Repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets.

Principal repayments:	
Bond principal	116,000

Capital contributions received from other governmental units for capital improvements at the County Airport.	1,028,461
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Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences	(23,347)	
Post-employment benefits	27,392	4,045
Changes in net assets of governmental activities		\$ 1,374,157

See accompanying notes to financial statements.

COUNTY OF DICKINSON, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2006

	<u>Tax Revolving</u>
ASSETS	
Current assets:	
Cash and cash equivalents	
Unrestricted	\$ 795,465
Receivables:	
Current taxes	387,350
Interest	46,756
Due from other funds	<u>65,577</u>
Total current assets	<u>1,295,148</u>
Noncurrent assets:	
Delinquent taxes	<u>24,724</u>
Total assets	<u><u>\$ 1,319,872</u></u>
LIABILITIES	
Current liabilities	
Due to other funds	<u>\$ 246,261</u>
NET ASSETS	
Unrestricted	<u>1,073,611</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,319,872</u></u>

See accompanying notes to financial statements.

COUNTY OF DICKINSON, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2006

	<u>Tax Revolving</u>
OPERATING REVENUES:	
Charges for services	\$ 14,263
Rental and interest income	<u>116,456</u>
Total operating revenue	<u>130,719</u>
OPERATING EXPENSES:	
Supplies	<u>3,346</u>
Operating income (loss)	<u>127,373</u>
NONOPERATING REVENUES (EXPENSES):	
Transfer in	950,000
Transfer out	<u>(122,696)</u>
Total nonoperating revenues (expenses)	<u>827,304</u>
Change in net assets	954,677
Total net assets - beginning	<u>118,934</u>
Total net assets - ending	<u><u>\$ 1,073,611</u></u>

See accompanying notes to financial statements.

COUNTY OF DICKINSON, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2006

	<u>Tax Revolving</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 14,263
Receipts from interest and rents	116,456
Cash received for collection of taxes	1,303,245
Payments to suppliers	(3,346)
Cash payments for taxes	(1,251,968)
Other receipts (payments)	<u>(951,352)</u>
Net cash provided (used) by operating activities	<u>(772,702)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfer in	950,000
Operating transfer out	<u>(122,696)</u>
Net cash provided (used) by noncapital financing activities	<u>827,304</u>
Net increase (decrease) in cash and equivalents	54,602
Cash and equivalents, beginning of year	<u>740,863</u>
Cash and equivalents, end of year	<u><u>\$ 795,465</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	<u>\$ 127,373</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in receivables	61,146
(Increase) decrease in due from other funds	(11,221)
Increase (decrease) in due to other funds	<u>(950,000)</u>
Total adjustments	<u>(900,075)</u>
Net cash provided by operating activities	<u><u>\$ (772,702)</u></u>

See accompanying notes to financial statements.

COUNTY OF DICKINSON, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2006

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents:	
Unrestricted	\$ 713,586
LIABILITIES	
Due to other funds	\$ 75,273
Due to other governmental units	63,396
Undistributed taxes	442,778
Other liabilities	132,139
	<hr/>
Total liabilities	\$ 713,586
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See accompanying notes to financial statements.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background - The County of Dickinson was organized in 1891 under the provisions of the Michigan Constitution and covers an area of 757 square miles divided into seven townships and three cities. The County is operated under a Commission/Controller form of government and provides services in the following functional areas: legislative, courts, public records, public roads, management, building operation and expense, human service, resource management and development, law enforcement, and health services. The County is governed by an elected five member Board of Commissioners, with the county seat located in the City of Iron Mountain.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis*. GASB 34 significantly changes financial reporting for governmental agencies by adding government-wide financial statements, management's discussion and analysis and reporting on infrastructure.

Reporting Entity - For financial reporting purposes, in conformance with GASB Statement 14, as amended by GASB Statement 39, Dickinson County (the primary government) includes all funds, agencies, boards, commissions, other component units, and authorities that are controlled by or dependent on the County's legislative branch, the County Commission. Control by or dependence is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the County, obligation of the County to finance any deficits that may occur, or receipt of significant subsidies from the County. In addition, State of Michigan - Department of Treasury pronouncements were considered in the determination process. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Component Units - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units - The County has three component units for which the financial data has been blended with the primary government financial statements.

Building Commission Authority - Pursuant to MCL 123.951 the County of Dickinson formed a Building Commission Authority known as Crystal Lake Community Center Commission. The Commission consists of five members appointed by the Dickinson County Board of Commissioners. Although it is legally separate from the County, the Building Commission Authority is reported as if it were part of the primary government because its sole purpose is to operate and maintain a recreational facility for the County.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dickinson County Library and Library Trust – The Dickinson County Library and Library Trust are governed by a board which is appointed by the Dickinson County Board of Commissioners. The Library is a part of the County of Dickinson and a majority of its revenues are deposited with the County Treasurer. The Dickinson County Library and Library Trust were audited by other auditors and their complete financial statements can be obtained from their administrative office located at 401 Iron Mountain Street, Iron Mountain, Michigan 49801.

Dickinson County Construction Code Authority – During 1999 the Dickinson County Board of Commissioners approved the formation of the Dickinson County Construction Code Authority. The purpose of the Authority is to provide inspection services and enforcement of the State construction code. The Authority is governed by a seven member board which is appointed by the County Board of Commissioners and has one representative from the six townships, one from Breitung Township, one from the City of Kingsford, one from the City of Iron Mountain, one from the City of Norway and two from the County Board of Commissioners. The Authority is reported as a part of the primary government because its sole purpose is to provide building code inspections and code enforcement to the citizens of Dickinson County. The majority of its revenues are on deposit with the Dickinson County Treasurer.

Discretely presented component unit - The component unit columns in the combined financial statements include the financial data of the Dickinson County Road Commission, Dickinson County Healthcare System and the Dickinson County Economic Development Corporation. The component units are reported in a separate column to emphasize that they are legally separate from the County.

Dickinson County Road Commission – The Dickinson County Road Commission, which was established pursuant to the County Road Law (MCL 224.1), is governed by a three member board of County Road Commissioners appointed by the County Board of Commissioners. The Road Commission provides the citizens of Dickinson County road service and maintenance. The Road Commission may not issue debt or levy a tax without the County Board of Commissioners approval. The Road Commission financial statements were audited by other auditors and those financial statements may be obtained at:

Dickinson County Road Commission
1107 South Milwaukee Avenue
P.O. Box 519
Iron Mountain, Michigan 49807

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dickinson County Healthcare System – The Healthcare System was formed as a county public hospital under provisions of Michigan Act 350 P.A. 1913 on July 29, 1947. On April 1, 1959, Anderson Memorial Hospital was accepted as a unit of the hospital system. On September 11, 1990, the hospital was reorganized under Act 230 P.A. 1987 as a municipal health facilities corporation which assumed all rights, privileges, immunities and franchises of the predecessor county public hospital. On October 1, 1992, Dickinson County Memorial Hospital System received a single license to operate both Dickinson County Memorial Hospital in Iron Mountain, Michigan and Anderson Memorial Hospital in Norway, Michigan.

Pursuant to PA 230 of 1987, the hospital system is required to approve the debt of all subsidiaries. Dickinson County Board of Commissioners is required to approve the debt of the Dickinson County Healthcare System and its subsidiaries. The financial statements of the Dickinson County Healthcare System were audited by other auditors and a complete copy of the Healthcare System financial statements can be obtained at:

Dickinson County Healthcare System
1721 South Stephenson Avenue
Iron Mountain, Michigan 49801

Dickinson County Economic Development Corporation (EDC) – The EDC was established pursuant to the provisions of Public Act 338 of 1974, as amended, and is governed by a nine person board of directors appointed by the Dickinson County Board of Commissioners. The EDC may not issue debt without the County Board of Commissioners approval. Financial statement data for the EDC is not presented since there was no activity in the EDC fund for 2006. Further information relating to the EDC may be obtained from the County Courthouse.

Joint Ventures - Based on the foregoing criteria, the following organizations are not included in the financial report of the County of Dickinson:

Dickinson-Iron District Health Department – Dickinson and Iron Counties participate jointly in the operation of the Dickinson-Iron District Health Department. The members of the board are jointly appointed by the Dickinson and Iron County Board of Commissioners. All of the financial operations of the Health Department are recorded in the records of Iron County and is included as a separate discretely presented component unit in the financial statements.

The funding formula approved by the members of the local units is based on each unit's population and equalized valuation as it relates to the total population and valuation, which would be 66.7% for Dickinson County and 33.3% for Iron County. Dickinson County voters approved a tax levy of .2 mills and the County's contribution to the Health Department for the year ended December 31, 2006 was \$148,450. Complete financial statements of the District Health Department can be obtained directly from their administrative office located at 601 Washington, P.O. Box 516, Stambaugh, Michigan 49964.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K.I.N.D. – K.I.N.D. was organized in 1992 by the cities of Kingsford, Iron Mountain, Norway and the County of Dickinson. K.I.N.D operates under a specifically designated Board of Directors (five members) and provides services to the residents of Dickinson County in the area of drug law enforcement.

Funding is based on a per capita basis, at the rate of \$.75 per person utilizing 2000 census data and subsequently adjusted based on decennial census data. Utilizing the 2000 census, it would reveal the following breakdown:

Population						
Iron Mountain	8,154	x	0.75	=	\$	6,116
Kingsford	5,549	x	0.75	=		4,162
Norway	2,959	x	0.75	=		2,219
Dickinson County	10,810	x	0.75	=		8,108
Total population	27,472				\$	20,604

The County's share of appropriation was in the form of labor (deputies' wages) paid by the County. The main source of revenues is through forfeitures.

Upon agreement of the Board, forfeiture funds could be used for operational costs, additional training and equipment and future drug money. It is agreed that of the forfeitures forfeited by the plan, 40 percent of any and all forfeitures shall remain with the drug team, the remaining 60 percent may be disbursed by majority agreement at a joint meeting of the K.I.N.D. Board of Directors, the County Controller and the City Managers of Iron Mountain, Kingsford and Norway.

Complete financial statements for K.I.N.D. Drug Enforcement team can be obtained from their headquarters at 111 East Fleshiem Street, Iron Mountain, Michigan 49801.

Pinecrest Medical Care Facility - Dickinson County is a participant with Delta and Menominee Counties in a joint venture to operate the Pinecrest Medical Care Facility. The Pinecrest Medical Care Facility was established under PA 178 of 1929 (MCL 404.1) permitting the establishment, operation and control of county medical care facility by two or more counties of less than 1,000,000 population. The Pinecrest Medical Care Board was created for that purpose. The nine-member board is composed of three representatives from each County's Social Services Board. The Counties are obligated by agreement to share equally in providing the local funds necessary for operations and improvements. Pinecrest Medical Care Facility is custodian of their funds and the financial statements are not reported in any one of the three counties. Complete Financial Statements for the Pinecrest Medical Care Facility can be obtained from Pinecrest's Office at N 15995 Main Street, Powers, Michigan 49874.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dickinson-Iron Community Services Agency (DICSA) – Pursuant to the Urban Cooperation Act, as amended, (MCLA 124.501) and the Michigan Economic and Social Opportunity Act of 1981, as amended, (MCLA 400.1101) Dickinson and Iron Counties entered into an inter-local agreement to form DICSA, a public agency, as a separate legal entity for designation as a community action agency.

The depository of agency funds shall be located in Iron County. Funding for the agency is equally shared by Dickinson and Iron Counties.

The Agency shall be governed by a governing board consisting of three members from each county for a total of six members. The chairperson of each County Board of Commissioners and two members designated by each chairperson shall constitute the governing board.

The Agency may not issue debt or levy property taxes without approval of the respective counties. A voted millage was approved for the support of the agency in which the County paid \$292,735 during 2006 from property taxes for senior citizens' activities.

Complete financial statements for DICSA can be obtained from their administrative office at 800 Crystal Lake, Iron Mountain, Michigan, 49801.

Dickinson County Solid Waste Management Authority – Articles of incorporation were adopted by the incorporating municipalities for the purpose of creating an Authority under the provisions of Michigan's 1955 Public Act 233, as amended in 1993. The municipalities include the following: County of Dickinson, the cities of Iron Mountain, Kingsford and Norway, the Charter Township of Breitung, and the townships of Breen, Felch, Norway, Sagola, Waucedah and West Branch, each located in the County of Dickinson.

The Board of Trustees consists of seven voting members appointed by the legislative bodies of the participating municipalities as designated by the articles of incorporation. Debt may be issued in the name of the Authority as negotiable bonds, secured by the contractual full faith and credit pledges of each municipality, and self-liquidating revenue bonds.

The Authority shall continue in existence perpetually or until dissolved by a two-thirds vote of the municipalities or by law. A separate audit may be obtained from the authority's office at Dickinson County Solid Waste Processing Facility, W7702, Quinnesec, Michigan, 49876.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly Governed Organization

Northpointe Behavioral Healthcare Systems Authority – Dickinson, Menominee and Iron Counties entered into an inter-local agreement on October 26, 1994 for the purpose of establishing an Authority to govern community mental health programs.

Northpointe was established pursuant to the Michigan Constitution of 1963, Article 7, Section 28, the Mental Health Code, 1974 PA 258, as amended, and the Urban Cooperation Act, 1967 PA 7 and is governed by a twelve member board. The County does not have an ongoing financial interest or an ongoing financial responsibility in Northpointe but did make an appropriation in the amount of \$94,630.

Complete financial statements for Northpointe can be obtained from their office located at 715 Pyle Drive, Kingsford, Michigan, 49802.

Accounting Policies - The accounting policies of the County of Dickinson conform to accounting principles generally accepted in the United States of America as applicable to state and local governments. The following is a summary of the more significant policies:

Fund Accounting - The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide and fund financial statements – The government-wide financial statements include a Statement of Net Assets and a Statement of Activities which report the information on all non-fiduciary activities of the primary government and its component units. Most of the effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely primarily on user fees and charges for service. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrate the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a specific function or segment and 2) operating grants and contributions that are restricted to meeting the operating or capital requirements of a particular function or segment and 3) other revenues that are by definition related to the cost of providing a specific function or segment. Taxes and other items not specific to particular functions or segments are reported instead as general revenues.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement presentation – The government-wide financial statements use the economic resources measurement focus and full accrual basis of accounting which also include the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements are recorded only when the payment is due.

Property taxes, licenses, interest revenue and charges for services are considered susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following as major governmental funds:

General Fund – The General Fund is the County's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

Revenue Sharing Reserve Fund – Accounts for the activities related to the collection of additional property taxes for the purpose of replacing state revenue sharing for a period of approximately nine or ten years.

Retiree's Medical Care Reserve – Accounts for the activity relating to the accumulation of resources to fund future post-employment health insurance for County retiree's.

Senior Citizens Tax Fund – Accounts for the activity relating to the collection and distribution of a separate tax levy for senior citizens activities.

County Library Fund – Accounts for activities relating to the operation of the county library.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The County reports the following as major proprietary funds:

Tax Revolving – This fund accounts for the purchase and subsequent collection of delinquent real property taxes from the various taxing units throughout the county.

Additionally, the County reports the following fund types:

Governmental Funds:

Special revenue funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments for major capital projects) that are legally restricted to expenditures for specified purposes.

Debt service funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital project funds – Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals, private organizations or other governmental organizations).

Permanent funds – Permanent funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the County's programs.

Proprietary Funds:

Enterprise funds – Enterprise funds may be used to, “report any activity for which a fee is charged to external users for goods and services.” GASB Statement 34 states that enterprise funds must be used to account for an activity if any of the following three criteria is satisfied:

- The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
- Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or capital debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- The pricing policies of the activity establishes fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds:

Agency funds – Agency funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities/enterprise funds, subject to the same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the governmental-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Tax Revolving fund are interest and fees collected on delinquent property taxes. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets, if applicable. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting – Budgets are adopted by the County Board of Commissioners for the general, special revenue, debt service and capital project funds. The budgetary basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds. The budget is adopted at the activity level and control is exercised at the activity level. The County Board of Commissioners has authorized the County Controller to make budget transfers between appropriations prior to a regularly scheduled board meeting, when necessary, subject to the following limitations:

- a. No appropriation account may be increased or decreased by more than 20 percent.
- b. Line-item appropriations for salaries, travel, dues and memberships may not be increased.
- c. The transfers must be presented to the Board of Commissioners for approval at its next regularly scheduled meeting.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Equivalents and Investments – Cash and investments are segregated on the Statement of Net Assets. Cash deposits consist of demand and time deposits with financial institutions and are reported at carrying amount which is fair value. Investments are carried at market value. For the purpose of the statement of cash flows, the County considers all highly liquid investments with maturities of less than three months or where there is no loss of principal upon early withdrawal, as cash equivalents.

Taxes Receivable – Current – The County property tax is levied on each July 1st and December 1st on the taxable valuation of the property located in the County as of the preceding December 31st.

Although a portion of the County's 2006 ad valorem tax is levied and collectible on December 1, 2006, it is the County policy to recognize revenues from the current tax levy in the subsequent fiscal year when the proceeds from this levy are budgeted and made available for the financing of County operations. The County also levies part of its operating millage on July 1st, these amounts are recognized as revenue when collected as well as the amount the County expects to receive as part of the tax settlement which is usually within 180 days of the end of the County's fiscal year end.

The 2005 taxable valuation of Dickinson County amounted to \$796,921,088 on which ad valorem taxes of 4.0802 mills were levied for County operations (less \$1,490,831 which goes to the Revenue Sharing Reserve Fund), .9000 mills for County Library operating purposes, and .4000 mills for senior citizens programs and .2000 mills for the Health Department. The County also levied 4.0802 mills as part of the July 1st levy, which had a 2006 taxable valuation of \$825,715,132, which was used for County General Fund operations.

The December 2005 tax levy should raise approximately \$1,532,135 for County operating purposes, \$673,145 for County Library operation and \$299,829 for senior citizens programs. The July 2006 tax levy should raise an additional \$3,126,345 for County operating purposes. These amounts are recognized in the respective funds as taxes receivable – current, with an off-setting credit to deferred revenue.

In 2004 the County was required by Public Act 357 of 2004, to set aside one-third of the December 2004 levy for County operations into a new fund called the Revenue Sharing Reserve Fund, leaving two-thirds of the levy for County General Fund operations. In July 2005, the County was required to levy one-third of the property taxes for County operations and these funds were used to fund operations for the 2005 fiscal year. For the December 1, 2005 levy, the County will levy two-thirds of the total number of mills allocated for County operations, with \$1,490,831 going into the Revenue Sharing Reserve Fund and the remaining amount going into the County General Fund to cover fiscal year 2006 operations. In July 2006, the County will levy two-thirds of the total number of mills allocated for County operations and the proceeds from this levy will fund County operations for the 2006 fiscal year. For the December 1, 2006 levy, the County will levy one-third of the total number of mills allocated for County operations, with \$1,490,831 going into the Revenue Sharing Reserve Fund and the remaining amount going into the County General Fund to cover fiscal year 2007 operations. In July 2007, the County will levy the entire allocated County operating mills which will be used to cover County operations for the 2007 fiscal year. For fiscal years 2007 and beyond, the County's operating mills will be levied as part of the July levy, leaving only the extra voted mills to be levied each December.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Revenue Sharing Reserve Fund will be funded by property taxes in the amount of \$4,472,493 over a three-year period and will be used to transfer amounts annually to the General Fund in lieu of the County receiving State revenue sharing payments. The amounts to be transferred to the General Fund will be determined by the State of Michigan annually and an amount of \$492,180 was transferred for the 2006 fiscal year. The County estimates that the Revenue Sharing Reserve Fund will be depleted during the 2013 fiscal year.

Taxes Receivable – Delinquent – The taxes receivable in the business-type activities of \$387,350 in current taxes receivable and \$24,724 listed as a noncurrent asset represent uncollected real property taxes levied prior to 2006. The delinquent real property taxes may be summarized as follows:

2005	\$	386,672
2004		23,982
2003		343
Other		<u>1,077</u>
Total	\$	<u><u>412,074</u></u>

Interfund Receivables and Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet.

Inventory – The County does not record inventory, as all supplies are expensed when purchased. For the Healthcare System inventory is stated at the lower of cost (first-in, first-out) or market. The Road Commission inventory is recorded using the average cost method.

Patient Receivables – Dickinson County Healthcare System – Patient receivables are uncollateralized patient and third-party payor obligations. Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provisions.

Property Taxes - Assessed property values are established annually (the first Monday in March) by the local units of government and equalized by the State at an estimated 50% of current market value. Property taxable value is determined in accordance with (MCL 211.34d). The property taxes are levied based on taxable value on July 1 and December 1. The County tax is collected during this period by each local taxing district.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Real property taxes not paid by February 28 are purchased by the County as part of the March tax settlement. County property taxes are recognized as revenue in the current fiscal year when services financed by the levy are being provided. The County considers taxes received as part of the annual tax settlement as revenue in the year the tax was levied which is typically within 180 days of the end of the County's fiscal year.

Capital Assets – Capital assets, which include property, buildings, equipment and infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the County, as well as its component units, is depreciated using the straight-line method, except for road equipment for the County Road Commission which uses sum-of-the-years'-digits, over the following estimated useful lives:

	Years
Land improvements	15 - 30
Buildings and improvements	10 - 50
Machinery and equipment	3 - 30
Infrastructure	15 - 30

Compensated Absences – County - Employees are granted vacation and sick leave in varying amounts based upon employment classification and length of service. Upon termination, employees are paid for accumulated vacation and sick time, based upon current rate of pay subject to certain limitations. Vacation and sick leave pay is fully accrued in the government-wide financial statements and the proprietary financial statements.

Compensated Absences – Dickinson County Healthcare System – The Healthcare System has a paid-time-off (PTO) program that allows employees to earn vacation and catastrophic leave (CAT) benefits based, in part, on length of service. Employees may accumulate PTO up to a specified maximum. Employees are paid for accumulated PTO if employment is terminated. The PTO program also allows for 25% of accumulated CAT days to be paid out at retirement up to a maximum of 120 hours. CAT days not paid out are applied to years of service for pension credit calculations.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity - Under the provisions of GASB Statement No. 1, a County may establish reserves for those portions of fund equity not appropriable for expenditure or which are legally segregated for a specific future use. Fund equity designations also may be established to indicate tentative plans for financial resource utilization in a future period.

Other Financing Sources (Uses) - The transfers of cash between the various County funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing and borrowing funds, respectively.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Patient Service Revenue – Dickinson County Healthcare System – The Healthcare System has agreements with third-party payors that provide for payments to the Healthcare System at amounts different from its established rates. Payment arrangements included prospectively determined rates, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care – Dickinson County Healthcare System – To fulfill its mission of community service, the Healthcare System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Healthcare System does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient service revenue.

Advertising Costs – Dickinson County Healthcare System – The Healthcare System expenses advertising costs as incurred.

Risk Management – Dickinson County Healthcare System – The Healthcare System is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illness; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE B – BUDGET/FUND BALANCE NON-COMPLIANCE

General County

Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the General Fund and Special Revenue Funds as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

During the year ended December 31, 2006, expenditures were incurred in excess of the amounts appropriated in the amended budgets for the activities or functions within the General Fund, however total expenditures did not exceed total appropriations. Expenditures were in excess of appropriations in the following funds:

	<u>Total Appropriation</u>	<u>Expenditures</u>	<u>Budget Variance</u>
Revenue Sharing Reserve	\$ 491,704	\$ 492,180	\$ (476)
Friend of Court	77,298	77,417	(119)
Enhanced 911	400,000	401,270	(1,270)
Jail Commissary	40,000	46,473	(6,473)

Deficit Fund Balance – A deficit existed in the unreserved fund balance of the Public Improvement, Civil Defense, Law Library and the County Remonumentation Funds of \$22,621, \$12,054, \$2,905 and \$319, respectively. Public Act 275 of 1980 requires the County to file a deficit elimination plan with the Michigan Department of Treasury showing how the deficit will be eliminated.

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS

The County maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Michigan Compiled Laws, Section 129.91 authorizes the County to deposit and invest in the following:

- a. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the Investment Company Act of 1940, title I of chapter 686, 54 sat. 789,15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
 - i. The purchase of securities on a when-issued or delayed delivery basis.
 - ii. The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the securities loaned.
 - iii. The limited ability to borrow and pledge a like portion of the portfolios' assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, MCL 124.501 to 124.512.
- i. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the Local Government Investment Pool Act, MCL 129.141 to 129.150.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

All deposits are carried at cost and are in accordance with statutory authority. The Governmental Accounting Standards Board (GASB) Statement No. 40 risk disclosures for the County's cash deposits and investments are as follows:

	Primary Government	
	Carrying Amount	Bank Balance
Cash and equivalents:		
Deposits:		
Insured (FDIC)	\$ 1,254,957	\$ 1,360,234
Uninsured	6,234,698	6,642,521
Total cash	<u>\$ 7,489,655</u>	<u>\$ 8,002,755</u>
Government-Wide Statement of Net Asset Presentation:		
Cash and equivalents:		
Unrestricted	\$ 6,776,069	
Statement of Fiduciary Net Assets		
Cash and equivalents:		
Unrestricted	713,586	
Total cash and equivalents	<u>\$ 7,489,655</u>	

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a policy for custodial credit risk. As noted in the preceding table, the County has \$6,642,521 of bank deposits that were uninsured and uncollateralized.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the County's name:

Type of Investment	Carrying Value	How Held
U.S. government and agency securities	\$ 564,739	Counter party

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE C – CASH AND EQUIVALENTS AND INVESTMENTS (continued)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The County's investment policy does not restrict investment maturities. At year end, the specific maturities of investments are as follows:

<u>Investments</u>	<u>Fair Value</u>	<u>Matures</u>
U.S. government and agency securities:		
FFCB MTN	\$ 15,090	8/8/2007
FNMA	15,066	1/15/2009
FNMA	16,036	6/15/2010
FHLMC	15,623	6/15/2011
FHLB	248,828	1/11/2008
FHLB	249,220	11/28/2008

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law and the County's investment policy limit the investment in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. As of year end, the credit quality ratings of debt securities were not applicable as all investments are in government securities.

County Road Commission

At year end, the Road Commission's cash deposits and investments, is as follows:

	<u>Primary Government</u>	
	<u>Carrying</u>	<u>Bank</u>
	<u>Amount</u>	<u>Balance</u>
Cash and equivalents:		
Deposits:		
Insured (FDIC)	\$ 5,784	\$ 19,687
Imprest	200	-
Total cash	<u>\$ 5,984</u>	<u>\$ 19,687</u>

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Dickinson County Healthcare System

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Healthcare System’s deposits may not be returned to it. The Healthcare System does not have a deposit policy for custodial credit risk. The Healthcare System had bank balances at December 31, 2006 as follows:

	<u>2006</u>
Insured (FDIC)	\$ 120,114
Collateralized by corporate securities held by the pledging institution in the Healthcare System's name	1,000,000
Uncollateralized	<u>7,462,961</u>
Total	<u>\$ 8,583,075</u>
Carrying value	<u>\$ 6,383,477</u>

The carrying value of investments is included in the Healthcare System’s statement of net assets as follows:

	<u>2006</u>
Cash and cash equivalents	\$ 6,383,477
Temporary investments	258,199
Restricted assets - current portion	1,256,346
Internally designated for capital improvements	7,088,984
Other long-term investments	4,103,694
Restricted under indenture agreement for debt service	<u>2,085,897</u>
Total	<u>\$ 21,176,597</u>

The breakdown between deposits and investments is as follows:

Carrying amount:	
Deposits	\$ 6,383,477
Investments	<u>14,793,120</u>
	<u>\$ 21,176,597</u>

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Dickinson County Healthcare System (continued)

Investments

The Healthcare System's investments are reported at fair value. At December 31, 2006 the Healthcare System's investments consisted of the following:

	Carrying Amount	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Money market funds	\$ 677,997	\$ 677,997	\$ -	\$ -	\$ -
Commercial paper	3,182,907	3,182,907	-	-	-
Federal National Mortgage Association	3,911,886	701,487	2,736,558	473,841	-
Federal Home Loan Mortgage Corporation	2,135,132	428,496	498,220	1,208,416	-
Federal Home Loan Bank	3,659,085	825,134	1,271,495	1,562,456	-
Federal Farm Credit Bank	1,069,339	250,235	245,158	573,946	-
U.S. Treasury Note	152,961	1,769	-	151,192	-
Other	3,813	3,813	-	-	-
Total	<u>\$14,793,120</u>	<u>\$ 6,071,838</u>	<u>\$ 4,751,431</u>	<u>\$ 3,969,851</u>	<u>\$ -</u>

Interest Rate Risk – The Healthcare System's investment policy contains a provision that limits the investment maturities of commercial paper to 270 days as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment policy does not contain a provision that limits other types of investment maturities.

Credit Risk – The Healthcare System complies with State statutes with regard to credit risk. As of December 31, 2006, the Healthcare System's investment in Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, US Treasury Notes, and Federal Farm Credit Bank are rated AAA by Moody's Investors Service.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Dickinson County Healthcare System (continued)

Concentration of Credit Risk – The Healthcare System currently does not place a limit on the amount it may invest with any one issuer. More than 5 percent of the Healthcare System's investments are in the following investments as of December 31, 2006:

	<u>Percentage</u>
Commercial Paper	15.0%
Federal Home Loan Mortgage Corporation	10.0%
Federal National Mortgage Association	18.5%
Federal Home Loan Bank	17.3%
Federal Farm Credit Bank	5.1%

Investment Income – Investment income and gains and losses on cash equivalents, and investments consist of the following for the year ended December 31, 2006:

	<u>2006</u>
Interest income and realized gains and losses	\$ 821,888
Interest income on proceeds of borrowed funds	<u>169,797</u>
Total investment income	<u>\$ 991,685</u>
Change in unrealized gains and losses on investments	<u>\$ (21,321)</u>

NOTE D – RECEIVABLES

Receivables consist of the following:

	Governmental Activities	Business-Type Activities	<u>Component Units</u>	
			<u>Road Commission</u>	<u>Healthcare System</u>
Accounts	\$ 98,557	\$ -	\$ -	\$ 8,490,753
Taxes	2,890,235	412,074	-	-
Interest	-	46,756	-	-
Due from other local units	151,553	-	52,050	-
Due from the State of Michigan	<u>204,830</u>	<u>-</u>	<u>535,292</u>	<u>-</u>
Total	<u>\$ 3,345,175</u>	<u>\$ 458,830</u>	<u>\$ 587,342</u>	<u>\$ 8,490,753</u>

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE E - INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances represent temporary advances between funds. At December 31, 2006 the interfund receivable and payable balances are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
		Tax Revolving Trust and Agency	\$ 246,261 9,696
General Fund	\$ 255,957	Subtotal	255,957
Tax Revolving	65,577	Trust and Agency	65,577
Fontana Terminal Trust	90,000	Public Improvement	90,000
Total	\$ 411,534	Total	\$ 411,534

Financial Statement Presentation:

Governmental Funds	\$ 345,957	Governmental Funds	\$ 90,000
Enterprise Funds	65,577	Enterprise Funds	246,261
Fiduciary Funds	-	Fiduciary Funds	75,273
Total	\$ 411,534		\$ 411,534

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE F – CAPITAL ASSETS

County

Capital asset activity for the year ended December 31, 2006, was as follows:

	Balance at 01/01/06	Additions	Disposals	Balance at 12/31/06
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,640,279	\$ -	\$ -	\$ 1,640,279
Capital assets being depreciated:				
Buildings and improvements	9,084,471	615	-	9,085,086
Machinery and equipment	2,072,346	158,442	8,456	2,222,332
Library books & materials	609,137	78,830	18,093	669,874
Infrastructure	6,948,733	1,046,675	-	7,995,408
Total depreciable asset	18,714,687	1,284,562	26,549	19,972,700
Total capital assets	20,354,966	1,284,562	26,549	21,612,979
Less accumulated depreciation:				
Buildings and improvements	2,483,580	194,024	-	2,677,604
Machinery and equipment	985,840	166,286	-	1,152,126
County Library	772,504	110,368	26,549	856,323
Infrastructure	2,473,531	447,124	-	2,920,655
Total accumulated depreciation	6,715,455	917,802	26,549	7,606,708
Net depreciable capital assets	11,999,232	366,760	-	12,365,992
Governmental activities capital assets, net	<u>\$ 13,639,511</u>	<u>\$ 366,760</u>	<u>\$ -</u>	<u>\$ 14,006,271</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Judicial system	\$ 35,506
General government	594,050
Public safety	89,742
Health and welfare	7,752
Recreation and culture	190,752
Total governmental activities depreciation expense	<u>\$ 917,802</u>

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE F – CAPITAL ASSETS (continued)

Road Commission

The following is a summary of changes in capital assets of the Road Commission for the year ended December 31, 2006:

	Balance at 01/01/06	Additions	Disposals	Balance at 12/31/06
Capital assets not being depreciated:				
Land and improvements	\$ 205,915	\$ -	\$ -	\$ 205,915
Infrastructure land improvements	11,676,525	817,635	-	12,494,160
Total non-depreciable capital assets	11,882,440	817,635	-	12,700,075
Capital assets being depreciated:				
Buildings	1,499,423	-	-	1,499,423
Machinery and equipment	5,681,225	60,497	809	5,740,913
Infrastructure - roads	31,279,735	1,222,202	5,644,399	26,857,538
Infrastructure - bridges	3,071,447	12,234	-	3,083,681
Total depreciable capital assets	41,531,830	1,294,933	5,645,208	37,181,555
Total capital assets	53,414,270	2,112,568	5,645,208	49,881,630
Less accumulated depreciation:				
Buildings	514,951	38,231	-	553,182
Machinery and equipment	5,013,029	226,536	809	5,238,756
Infrastructure - roads	17,435,406	1,358,044	5,644,399	13,149,051
Infrastructure - bridges	875,024	68,871	-	943,895
Total accumulated depreciation	23,838,410	1,691,682	5,645,208	19,884,884
Net depreciable capital assets	17,693,420	(396,749)	-	17,296,671
Capital assets, net	\$ 29,575,860	\$ 420,886	\$ -	\$ 29,996,746

Depreciation expense was charged to the following activities:

Net Equipment Expense	
Direct equipment	\$ 209,327
Indirect equipment	51,633
Net Administrative Expense	
Office equipment	3,807
Infrastructure depreciation	1,426,915
Total Depreciation Expense	\$ 1,691,682

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE F – CAPITAL ASSETS (continued)

Dickinson County Healthcare System

The following is a summary of changes in capital assets of the Dickinson County Healthcare System for the year ended December 31, 2006:

	Balance at 01/01/06	Additions	Transfers and Retirements	Balance at 12/31/06
Capital assets not being depreciated:				
Land	\$ 1,643,231	\$ -	\$ (20,019)	\$ 1,623,212
Construction in progress	1,793,120	2,317,661	(1,088,149)	3,022,632
Total non-depreciable capital assets	<u>3,436,351</u>	<u>2,317,661</u>	<u>(1,108,168)</u>	<u>4,645,844</u>
Capital assets being depreciated:				
Land improvements	944,774	28,212	-	972,986
Buildings and improvements	39,385,589	26,904	523,679	39,936,172
Equipment	30,139,473	2,089,492	(382,232)	31,846,733
Total depreciable capital assets	<u>70,469,836</u>	<u>2,144,608</u>	<u>141,447</u>	<u>72,755,891</u>
Total capital assets	<u>73,906,187</u>	<u>4,462,269</u>	<u>(966,721)</u>	<u>77,401,735</u>
Less accumulated depreciation:				
Land improvements	214,694	46,220	-	260,914
Buildings and improvements	10,691,216	1,353,447	(6,612)	12,038,051
Equipment	17,395,980	2,752,778	(773,770)	19,374,988
Total accumulated depreciation	<u>28,301,890</u>	<u>4,152,445</u>	<u>(780,382)</u>	<u>31,673,953</u>
Net depreciable capital assets	<u>42,167,946</u>	<u>(2,007,837)</u>	<u>921,829</u>	<u>41,081,938</u>
Capital assets, net	<u>\$ 45,604,297</u>	<u>\$ 309,824</u>	<u>\$ (186,339)</u>	<u>\$ 45,727,782</u>

Construction in progress at December 31, 2006, represent costs related to information technology and other equipment purchased and not placed into service. The total estimated cost to complete the projects is \$1,853,000 which will be funded with internally designated funds.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE G – LONG-TERM DEBT

County

The following is a summary of changes in long-term debt for the year ended December 31, 2006:

Type of Debt	Balance 1/1/2006	Additions	Deductions	Balance 12/31/2006	Amounts Due Within One Year
Governmental activities:					
Correction Center Bonds	\$ 310,000	\$ -	\$ 100,000	\$ 210,000	\$ 105,000
Fair Bonds	141,000	-	16,000	125,000	16,000
Compensated absences:					
General County	313,176	21,848	-	335,024	83,756
County Library	15,093	1,499	-	16,592	-
Post retirement benefits -					
County Library	583,778	-	27,392	556,386	28,818
Total governmental activities long-term debt	<u>\$ 1,363,047</u>	<u>\$ 23,347</u>	<u>\$ 143,392</u>	<u>\$ 1,243,002</u>	<u>\$ 233,574</u>

Debt service requirements on long-term debt at December 31, 2006 are as follows:

For the Year Ending December 31,	Governmental Activities	
	Bonds Payable	
	Principal	Interest
2007	\$ 121,000	\$ 9,024
2008	121,000	5,898
2009	16,000	3,928
2010	16,000	3,296
2011	16,000	2,658
2011-2014	45,000	3,879
Total	<u>\$ 335,000</u>	<u>\$ 28,683</u>